

Message Text

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C O N F I D E N T I A L YAOUNDE 1687

OPIC FOR BONNY HENDERSON

E.O. 11652: GDS

TAGS: ECEM, CM, GW

SUBJ: CLOSING OF FERTILIZER PLANT

1. ON DECEMBER 12, 1977, SOCIETE CAMEROUNAISE DES ENGRAIS (SOCAME) CLOSED DOWN ITS FERTILIZER FACTORY IN DOUALA AND LAID OFF APPROX 380 OF ITS 420 WORKERS. THE OFFICIAL REASON GIVEN WAS THAT THE PLANT HAD BEEN CLOSED FOR REPAIRS AND MAINTENANCE. IN THE MEANTIME, HOWEVER, IT HAS BECOME OBVIOUS THAT THE REAL CAUSE WAS THE FACT THAT SOCAME HAD INCURRED SUBSTANTIAL LOSSES DURING 1976 AND 1977, ITS FIRST TWO YEARS OF OPERATIONS. THERE ARE NOW PLANS FOR OFFICIALS OF THE GURC TO MEET WITH REPRESENTATIVES OF ITS WEST GERMAN PARTNER, KLOECKNER INDUSTRIE-ANLAGEN GMBH, IN PARIS DURING EARLY APRIL TO DISCUSS POSSIBLE MOVES TO REOPEN THE PLANT. ESTIMATED COST OF REOPENING THE PLANT AND KEEPING IT IN OPERATION FOR FIVE YEARS IS FCFA 2.9 BILLION (FCFA 232-\$1.00).

2. THE CLOSING OF THE FERTILIZER PLANT IS ONLY THE LATEST DEVELOPMENT IN AN ILL-CONCEIVED AND POORLY IMPLEMENTED PROJECT. PROJECT WAS PUT TOGETHER BY FNU YSHANI OF INHA, A NATURALIZED
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LIECHTENSTEINER, AT COST OF DM 60 MILLION (CURRENT EXCHANGE RATE DM202-\$1.00), FOR A 15 PERCENT COMMISSION. THERE HAVE BEEN PERSISTENT RUMORS THAT YSHANI SPREAD PORTION OF HIS COMMISSION AROUND TO PROMINENT GURC OFFICIALS, EVEN INCLUDING, ACCORDING TO SOME REPORTS, THE MINISTER OF ECONOMY AND PLAN. WHEN ASKED, FRG COMMERCIAL ATTACHE STATED HE BELIEVED BRIBERY WAS INVOLVED SINCE IT IS BEST EXPLANATION FOR WHY GURC ACCEPTED

SUCH A POORLY DESIGNED PROJECT IN THE FIRST PLACE. APPARENTLY, GURC WAS FIRST "CONVINCED" OF FEASIBILITY OF CONSTRUCTING FERTILIZER FACTORY, AND THEN KLOECKNER SUPPLIED THE FACTORY ITSELF VIRTUALLY AS AN OFF-THE -SHELF ITEM. FACTORY WAS IN NO WAY DESIGNED TO MEET NEEDS OF CAMEROONIAN MARKET.

3. PLANT BEGAN PRODUCTION IN EARLY 1976, AND FROM THE BEGINNING TO ITS CLOSING IN LATE DECEMBER 1977 OPERATED AT A LOSS. KLOECKNER REPRESENTATIVE COMPLAINED TO EMBOFF THAT GURC REGULATED PRICE FORCED SOCAME TO SELL AT LOSS OF 15 TO 20 PERCENT. IT SHOULD BE NOTED, HOWEVER, THAT SOCAME PRICE IS ABOUT 40 PERCENT ABOVE THE COST OF IMPORTED FERTILIZER CIF CAMEROON. MENTION SHOULD ALSO BE MADE OF FACT THAT IT IS HIGHLY UNLIKELY THAT KLOECKNER WILL EMERGE FROM ITS CAMEROONIAN FERTILIZER VENTURE WITH A NET LOSS. IN ADDITION TO SELLING CAMEROON THE PLANT, KLOECKNER HOLDS THE MANAGEMENT CONTRACT AND SUPPLIES ALL RAW MATERIALS.

4. KLOCKNER AND GURC ARE NOW IN MIDST OF NEGOTIATIONS TO RE-OPEN FACTORY. AS MENTIONED ABOVE, COST FOR REOPENING IS FCFA 2.9 BILLION, MOST OF WHICH WOULD HAVE TO BE SUPPLIED BY GURC. IN ADDITION, KLOECKNER REP INFORMED EMBOFF THAT HIS FIRM'S CONDITIONS FOR REOPENING ARE: A) CAMEROON-WIDE MONOPOLY ON SALE AND DISTRIBUTION OF ALL TYPES OF FERTILIZERS; B) INCREASE IN PRICE SO THAT PRODUCTION NO LONGER AT A LOSS; C) LARGER SUBSIDY TO FARMERS FOR FERTILIZER PURCHASES. HOWEVER, IT IS NOT CERTAIN
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WHETHER THE GURC CONSIDERS SOCAME TO BE WORTH SAVING. OTHER NEGATIVE FACTORS IN ADDITION TO HIGHER PRICE, ARE THAT SOCAME FERTILIZER IS SAID TO BE OF POOR QUALITY AND DELIVERY DATES ARE RARELY MET. PROVINCIAL DELEGATE OF MINISTRY OF AGRICULTURE IN DOUALA SAID THAT HIS MINISTRY OPPOSED THE REOPENING OF THE PLANT AND WOULD PREFER TO IMPORT ALL FERTILIZERS. ON THE OTHER HAND, IT IS LIKELY THAT MINISTRY OF ECONOMY AND PLAN AND GURC'S NATIONAL INVESTMENT COMPANY WILL ARGUE THAT SOCAME IN ONE INCARNATION OR ANOTHER SHOULD BE SAVED. HEAD OF SOCAME LABORATORY TOLD EMBOFFS THAT GURC IS READY TO PUT UP FCFA 2.5 BILLION TO SAVE FACTORY PROVIDING KLOECKNER SUPPLIES THE REMAINDER, ABOUT FCFA 500 MILLION. REPORTEDLY KLOECKNER IS BALKING.

6. BOTH GURC AND KLOECKNER HAVE APPROACHED FRG FOR ASSISTANCE IN SAVING SOCAME. FRG COMMERCIAL ATTACHE INFORMED EMBOFF THAT HIS EMBASSY WOULD OPPOSE ANY ASSISTANCE BECAUSE IT WOULD IN EFFECT SUBSIDIZE THE LOSSES OF A PRIVATE FIRM. IN HIS OPINION IT IS POINTLESS TO PROLONG THE AGONY AND SOCAME SHOULD BE ALLOWED TO DIE. HE DID CONCEDE, HOWEVER, THAT FRG MAY DECIDE TO GIVE ASSISTANCE BUT HE DOUBTED THAT IT WILL BE OF ANY USE. APPARENTLY FERTILIZER PLANT OF THIS TYPE (CHLORINE-

SULPHURIC ACID) MUST BE IN CONSTANT OPERATION OR IT WILL ALMOST IMMEDIATELY BEGIN TO DETERIORATE. IN HIS OPINION, FRG WILL NOT BE ABLE TO REACT IN TIME AND DETERIORATION OF PLANT WILL BE IRREVERSIBLE.

7. IN THE MEANTIME THERE IS THE QUESTION OF KLOECKNER'S FUTURE IN CAMEROON. KLOECKNER HAS PROPOSALS BEFORE THE GURC FOR BOTH A PINAPPLE JUICE FACTORY AND A TIRE FACTORY. KLOECKNER REP CLAIMS THAT ALL MOVEMENT ON THESE PROJECTS HAS STOPPED PENDING SATISFACTORY RESOLUTION OF THE SOCAME PROBLEM. DIRECTOR OF INDUSTRY AT MINISTRY OF ECONOMY AND PLAN HAS INFORMED EMBASSY THAT HE DOES NOT BELIEVE GURC WILL WORK WITH KLOECKNER ON THESE TWO PROJECTS. FINALLY FRG COMMERCIAL ATTACHE CAME DIRECTLY TO THE POINT BY BLUNTLY STATING THE CONFIDENTIAL

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OBVIOUS: QUOTE KLOECKNER IS OUT OF BUSINESS IN CAMEROON, END QUOTE.

8. EMBASSY WILL FOLLOW AND REPORT DEVELOPMENTS.
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